

UNIVERSITY OF ILLINOIS

BOARD OF TRUSTEES

Meeting of the Hospital Committee

JANUARY 20, 2010

This meeting of the Hospital Committee was held on January 20, 2010 at 1:00 p.m. in Room 1130 A and B, University of Illinois Hospital, 1740 West Taylor Street, Chicago, Illinois. This was the organizing meeting for the committee which now has new members. Trustee Timothy Koritz welcomed everyone to the meeting and asked committee members and other participants to introduce themselves. He asked the clerk, Dr. Michele Thompson, to call the roll, and the following members were present: Dr. Frances Carroll, Dr. Timothy Koritz, Mr. Carlos Tortolero, Mr. Matthew Reschke, Mr. Bogdan Zavorotny. Also present were President Stanley Ikenberry\*, Mr. Derek Felix, student Trustee, Dr. Joseph Flaherty, Dean of the College of Medicine, Mr. John DeNardo, CEO, Healthcare System, Dr. William Chamberlin, Chief Medical Officer, University of Illinois Medical Center, Mr. William Devoney, Chief Financial Officer, University of Illinois Hospital, Ms. Janet Spunt, Chief Nursing Officer, Dr. Paula Allen-Meares, Chancellor.

Dr. Koritz welcomed the committee members, observers, and other participants, and said the work of the hospital committee is extremely important since it will advise the Board of Trustees which has regulatory responsibilities for the hospital. He noted that 25% of the budget at the University of Illinois allocated to it. He said that he hopes the members of the committee will be able to work together to create a plan of action and meet challenges facing the hospital.

\* President Ikenberry arrived at 1:30 p.m.

## Academic Mission

Dr. Koritz introduced the first presentation by Dean Joseph Flaherty on the academic mission (materials on file with the secretary). Dean Flaherty summarized a history of the health sciences colleges on the Chicago campus, beginning with the opening of the Eye and Ear Infirmary in 1858. Dean Flaherty stressed that the expansion in the health sciences colleges that occurred in the 1970's took place without a great expansion of resources. He reviewed the mission and vision of the colleges, and emphasized both their urban and rural missions. He said that 6,805 students are enrolled in these colleges and medical school is the largest in the nation, and has half the number of faculty as most of its competitors. He reviewed the guiding values of the health science colleges, which include: diversity and public service, patient safety, and value as a statewide resource. He said that the College of Medicine produces the majority of minority physicians in Chicago and Illinois, and that the Colleges of Dentistry and Pharmacy educate most of the dentists and pharmacists. Dean Flaherty said that the health sciences colleges rank in the top ten in funding from the National Institutes of Health, and that their clinical patient volume totals 119,000 patients and 600,000 visits per year.

Dean Flaherty reported that the health science colleges are currently focusing on six areas of excellence, including women's and children's healthy, surgical transplants and robotics, neurosciences, cancer, and clinical translational research. He stated that the goals for 2010 include a strategic approach to satellites, including possible interest in an ambulatory surgery center, the development of a primary care referral strategy, optimal management of the outpatient care center, improved customer service, reduced medical malpractice costs, and

maximizing the advantage of the six health sciences colleges. Dr. Koritz thanked Dean Flaherty and said there are many reasons to be proud of the University's health sciences colleges.

### Hospital Overview

Dr. Koritz then introduced Mr. DeNardo to provide an overview of the hospital (materials on file with the secretary). Mr. DeNardo reviewed the components of the 'healthcare enterprise,' which he said includes the health science colleges, the hospital, ambulatory care sites, offsite practices, federally qualified health centers, and affiliates. He stated that 123,000 individual patients utilized the medical center in fiscal year 2009, and over 57,000 people used the emergency room. He noted that this is more than 1,000 visits per week. President Ikenberry, Dean Flaherty, and Mr. DeNardo discussed the average length of stay in hospital, and noted that while the hospital is always trying to be more efficient, it loses money for shorter stays because of the guidelines for State payment. Dean Flaherty stated, however, that they continue to work toward shorter stays when possible, and cited that the use of robotics in surgery makes shorter stays in hospital possible. Next, Mr. DeNardo reviewed the ethnicity and payor mix for fiscal year 2009, and noted that Medicaid payments account for 40 percent of the payor mix and Medicare for 23 percent.

### Hospital Finances

Next, Dr. Koritz asked Mr. Devoney to provide an overview of the hospital's financial performance through November 30, 2009 (materials on file with the secretary). Mr. Devoney first provided an overview of the hospital's financial performance over the last 14 years, and noted that the financial performance has been positive for the last ten years. Second, he reviewed

the length of stay in hospital of patients and outpatient volume. Third, he reviewed net revenues for the hospital. He explained that the forecast for salary expenses is lower than anticipated, due to aggressive management of staffing. He also reported that the cost for supplies is below budget, and cash balances are strong. Mr. DeNardo added that this is a representation of much hard work by staff, and Mr. Devoney confirmed that the decline of expenses was due to a lower number of staff.

Before moving on to the next portion of the presentation, Mr. DeNardo stressed the importance of the Board item requesting the delegation of authority to the University Comptroller to execute an intergovernmental agreement with the Illinois Department of Healthcare and Family Services. He explained that the recommendation is in response to federal regulations, and the designation would make it possible to better leverage federal funding. He said that staff has created and tested a payment schedule, and noted that other states are also making the same changes. In response to a question from Dr. Carroll about the State's payments, Mr. DeNardo said that the system does not work if the State fails to pay. President Ikenberry asked if the federal stimulus funds would disappear next year, and Mr. DeNardo responded that while less federal funding is expected in fiscal year 2011 than in 2010 he does not know how much less. Mr. DeNardo stated that as the largest single site provider of Medicaid services in Illinois, this agreement would maximize State funding for the hospital.

#### The Joint Commission – Board Orientation

Dr. Chamberlin then presented information on governance of the clinical enterprise (materials on file with the secretary). He said that Board involvement is critical, and he reviewed legal and regulatory responsibilities. Further, he explained that the Joint Commission is the

accrediting body for the hospital and accreditation by the Joint Commission is required for reimbursement from Medicare and Medicaid. He defined the extant tri-partite leadership structure, which includes the Board, management of the hospital, and the medical staff. Next, he reviewed the responsibilities of each group, and introduced the program for “blame-free” reporting of errors, with regard to patient safety and quality. He stated that this program includes an annual report to the Board to communicate sentinel events and safety measures. He explained that a sentinel event is unexpected occurrence resulting in death, disfigurement, or injury to a patient. Next, he reviewed the mission, vision, and values of the hospital, in addition to the Medical Center’s code of ethics that was approved by the Board. Lastly, he presented the current safety and quality goals established by each clinical service and operational department, along with the organizational priorities of senior leadership. Dr. Koritz added that the Joint Commission is a non-governmental accrediting body, and reiterated that accreditation from the Joint Commission is required in order for the hospital to qualify to receive payments for services from Medicare and Medicaid.

## Strategic Plan

### Hospital Facility Planning

Dr. Koritz asked Dean Flaherty and Mr. DeNardo to discuss their plan for the future of the hospital (materials on file with the secretary). Dean Flaherty began by stating that most first-rank universities have a hospital, and while some have affiliate agreements, it is more common for Big Ten universities to own their own hospital. He acknowledged the current budget crisis, and said he wanted to ensure that the Board of Trustees agrees with the long-term plan for the hospital and stressed that renovation of the hospital is crucial.

Mr. DeNardo reviewed the master plan for strategic initiatives, which he explained was created with the approval of former committee representatives and the former Board. He emphasized that the plan was structured in phases for renovation to be done over time, as funds become available. He reviewed the renovations needed for the existing hospital, in addition to plans for new facilities, including: a new hospital, a new Illinois Eye and Ear Institute, and a new pathology center. He stated that the initial renovations would include unseen items, such as transformers and electrical work. He also mentioned a recent article in *Crain's Chicago Business* and said that the points made in the article were salient and valuable. Mr. DeNardo stated that planning for the hospital's renovations began more than four years ago, and added that Board approval is necessary for these to begin. Dean Flaherty noted that retaining faculty has been possible to this point because hospital renovation has seemed imminent. He added that there is immediate need for renovations to the hospital. Mr. DeNardo stated that there is a recommendation for \$40.0 million for the Board's approval on the agenda for the Board meeting on January 21, 2010. Mr. DeNardo said he is confident the hospital can carry the debt for the project. Dr. Koritz agreed that the need to address the deferred maintenance in the hospital is a risk-management issue and referred to a problem with a ventilation fan a few months ago that temporarily interfered with hospital functions.

In closing, Dean Flaherty and Mr. DeNardo commented on the hospitals and the health sciences colleges' efforts to include diversity in all areas.

#### Liability Exposure

Dr. Koritz asked Dean Flaherty and Dr. Chamberlin to present information on liability exposure at the hospital in the clinical services (materials on file with the secretary). Dean

Flaherty stated that the hospital is self-insured, which he said is unique in comparison to other states. Dr. Chamberlin reviewed the organizational components and the process of the patient safety and malpractice program at the hospital. He stressed that in cases where a clear error had occurred, full disclosure is seen as warranted. He reported a reduction in malpractice claims in the last ten years, and stated that of the 14 cases that have gone to trial, 12 have received verdicts in favor of the defense. The committee commended all involved in the patient safety program.

#### Comments on the Hospital Committee

President Ikenberry observed that the committee had a good framework for discussion of issues. In addition, he said that while there are challenges for the hospital, hospital management and analyses have improved greatly. He stated that the current fiscal crisis affects the hospital, as well as the ramifications of healthcare reform, and stressed the importance of remaining competitive. President Ikenberry also asked if it would be useful to add others, with special expertise to the committee and stated that it is important for the hospital to thrive as a teaching, research, and practice environment and noted that the lines of communication are working well. Dean Flaherty suggested a need for expertise on the committee in areas such as finance and real estate. Mr. DeNardo asked the committee to consider how the strategic plans of the University, the hospital, and the Chicago campus intersect. President Ikenberry agreed, and asked Dean Flaherty if he could visualize engagement models for the committee's consideration at the next meeting. Dean Flaherty agreed.

### Closing Business

Dr. Koritz proposed tentatively scheduling the next meeting on March 9 at 2:00 p.m. in Urbana.\* There were no objections. He proposed possible agenda items for that meeting, including: a legislative update and its ramifications, the composition of the committee, the possible additions to the Hospital Committee, and review of the goals of the hospital and University. Mr. Tortolero suggested that fundraising should also be discussed, and Mr. Reschke suggested adding a medical student in the College of Medicine to the Hospital Committee. Dr. Koritz thanked the committee members for their participation and commented that the committee accomplished a great deal in this meeting.

### Adjournment

On motion of Dr. Carroll, seconded by Mr. Tortolero, and approved, the meeting adjourned at 3:10 p.m.

Respectfully submitted,

Michele M. Thompson  
Clerk

Timothy N. Koritz, M.D.  
Chair

\* This time was later changed to 1:00 p.m.